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TAGS: [EAID](#) [PGOV](#) [PREL](#) [KDEM](#) [MZ](#)
SUBJECT: DONOR COORDINATION MECHANISMS--INCREASING USG
INFLUENCE IN MULTI-LATERAL POLITICAL DIALOGUE

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[1](#)C. 09 MAPUTO 1346
[1](#)D. 09 MAPUTO 1165

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Classified By: Deputy Chief of Mission Todd Chapman for reasons 1.4 (b+
d)

[1](#)1. (C) SUMMARY: Over the past two years post has conscientiously developed stronger relationships and coordination with other donors at various levels in order to influence an ongoing multi-donor dialogue on key issues, specifically in the G-19, a collection of like-minded donors providing direct budget support. This group of 19 donors (Britain, Ireland, Norway, Sweden, Finland, Denmark, Holland, Switzerland, Germany, Austria, Italy, Portugal, Spain, Canada, World Bank, African Development Bank, and European Community), dubbed the G-19, had de facto become the primary forum for donor discussion and cooperation, and their quarterly political dialogue continues to be the primary mechanism for communicating donor concerns to high-level Government of Mozambique (GRM) officials. The then-Charge (now DCM) and USAID Director have worked to advocate for USG inclusion in major donor policy discussions and preparations for policy dialogue with the GRM. Embassy, USAID, MCC, and CDC officers at various levels have been active in G-19 Technical Working Groups. These efforts led to the U.S. joining the G-19 as an "associate member" in April, 2009. The improved relationships with other donors and active participation in G-19 policy-related discussions have resulted in increased USG influence on the policy dialogue agenda of all donors, including a stronger stand on the irregularities of the recent election and governance issues. As the USG looks carefully at the delivery of foreign assistance through the QDDR and PSD-7 discussion, and responds to a push for more use of government systems, the efforts made to implement the Paris Declaration in Mozambique, and the limitations and challenges that have become apparent, will be useful experiences to evaluate and assess. END SUMMARY

USG WAS SEEN AS "PUNCHING BELOW ITS WEIGHT" ON POLICY

[1](#)2. (C) At a meeting between resident donor representatives and a Senate Foreign Relations Staffdel in August 2007, a senior Head of Cooperation from a major Nordic donor suggested that the U.S. government was "punching below its weight" in terms of its role in Mozambique's policy dialogue. He said that given the size of the U.S. program and its importance to Mozambique, the USG was not playing an active enough role nor having the impact it should have on key

policy issues. The primary reasons for this were that the USG was outside the multilateral policy dialogue process that was carried out by the budget support donors, USG staff were under represented at all levels in productive policy dialogue including the donor-led technical working groups in the priority program areas for U.S. foreign assistance (e.g. health and HIV/AIDS), and levels and impact of U.S. assistance were not well known.

13. (C) The G-19 carries out an annual review of progress toward key targets and objectives associated with the Mozambican government's Poverty Reduction Plan. The Charge and USAID Director worked on developing improved relationships with other major donors and becoming an influential part of the donor groups engaged in high-level dialogue with the GRM. Strong donor advocates for general budget support as the preferred mechanism for donor assistance in the aftermath of the Paris Declaration had influenced the evolution of donor coordination in ways that led most major donors to include some level of general budget support under a Memorandum of Understanding (MOU). This MOU with the GRM governs the mechanisms for reviewing progress toward development objectives.

14. (C) The COM and USAID Director, together with the Japanese, pushed for implementation of the observer status outlined in the MOU but met with resistance to inclusion in meetings that involved discussion of internal G-19 processes, which was part of the agenda for nearly all meetings. They also worked to develop strong personal relationships with the key individual actors within the G-19 and pointed out the benefits to the G-19 of having the largest bilateral donor as part of the group presenting issues for discussion with the government.

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15. (C) Resistance to USG participation in the G-19 came from those who felt that "club membership" should be an incentive to countries to begin moving a portion of their assistance to direct budget support and that the USG had not demonstrated a commitment to the principles of the Paris Declaration by refusing to provide program support through sector-specific common funds or budget support and developing a separate project implementation unit for the MCC program. Since the G-19 provides equal voice to all donors independent of the size of individual assistance levels, smaller donors have influence disproportional to their funding levels and many such donors feared that USG participation might dilute their influence within the group.

16. (C) To counter this resistance, USG arguments focused on the efficiency principles of the Paris Declaration, noting that carrying out a separate dialogue with non-members of the G-19 creates additional workload for the GRM and allows them to play off donor groups against each other (NOTE: GRM interlocutors frequently complained about the G-19 to the United States and about the United States to the G-19. END NOTE). Ultimately, Minister of Planning and Development Aiuba Cuereneia requested that the G-19 include all major donors in their joint review process and interactions with the government via a formal letter to the Development Partners Group (an informal and ineffective donor group led by the World Bank and the UN) in June 2008.

JOINING THE CLUB

17. (C) Without any agreement or consensus on a new structure for donor coordination, the G-19 voted, in November, 2008, to offer the U.S., Japan, U.N., and IMF the opportunity to sign the new MOU for budget support to the GRM as "associate members." This status was subsequently negotiated to mean that associate members would be allowed to participate in all meetings of the G-19 with the exception of

the quarterly political dialogue meetings with the government (which are conducted by the leadership troika plus the World Bank and European Commission) since, as associate members, they could not become part of the leadership group. The G-19 Chair pointed out that these were the terms operating for most of the G-19 membership as most countries were not part of the leadership group and therefore did not participate in the political dialogue process directly.

18. (C) The G-19 offer of associate membership seemed to be driven by recognition that consensus on an all-inclusive donor group as the focus for political dialogue was unlikely and a calculation that bringing in the United States and Japan would appease the GRM as a response to their request for creation of an all-inclusive donor group. Key members of the G-19 also agreed with many of the arguments espoused by the U.S. and others that 1) the G-19 would benefit from inclusion of the largest bilateral donor through information the U.S. could share from our sources and about our programs and the added political weight of the U.S. in policy discussions, 2) the opportunity for the U.S. and Japan to accompany the process of budget support would help build our understanding about the process of implementing that modality which might lead to greater interest in providing budget support in the future, and 3) U.S. participation with other donors in preparing the agenda for political dialogue would respond to Paris Declaration principles of increased efficiency and to the GRM's formal request. U.S. participation on both the leadership group and the technical group formed to negotiate the formation of an all-inclusive donor group provided a forum to make these arguments with key G-19 actors at different levels. The decision whether to accept the G-19 offer was difficult as the Japanese when offered the same opportunity decided not to join, primarily because they felt it would undermine the effort to create a new, all-inclusive donor architecture. Post leadership carefully reviewed the pros and cons and negotiated a commitment from the G-19 leadership to move forward in developing an all-inclusive donor group as a condition for signing the MOU as an associate member. The Charge was also able to convince the U.N. rep to accept the offer to join the G-19 as an Associate Member. The Charge signed the MOU in April 2009, in time for the U.S. to participate in G-19 meetings to develop the final statement and key messages associated with the annual Joint Review of development progress and develop the issues for the political dialogue held in May.

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IMPACT OF G-19 ASSOCIATE MEMBERSHIP

19. (C) Since April, 2009, the United States has been invited to and attended all G-19 meetings of Heads of Mission and Heads of Cooperation. The USAID Director and Political-Economic Chief were invited to participate on the Governance Platform created by the G-19 to provide analysis and advice on issues of democracy and governance. USG staff attend the Economist Working Group which plays a similar role on economic issues. Technical staff continue to participate actively in sector Working Groups that are autonomous, but used by the G-19 for information and analysis. While the process of multi-lateral diplomacy is labor-intensive and time consuming, post believes that our participation in the G-19 has brought important benefits:

-- Access to information: The G-19 secretariat and the Working Groups that directly report to the G-19 (Economists and Governance Platform) carry out studies and analysis that provide useful information for donors. The Joint Review process includes information on government budget implementation and an analysis of progress toward targets in the G-19's Performance Assessment Framework taken from the GRM's Poverty Reduction Strategy. The G-19 also organizes

presentation from visiting experts and analysts for its members. All of this information is useful to the USG as well and can complement our own analysis and sources. It is also useful to know what forms the analytical base for the other major donors.

-- Increased understanding of program support modalities: Donors in Mozambique have highly developed mechanisms for direct budget support and program support through sector-specific common funds (sector-wide assistance programs or SWAPs). G-19 members in Mozambique see themselves as ahead of most other countries in implementing the Paris Declaration as further elaborated in Ghana due to the high levels of budget support provided, the mechanisms developed to monitor performance, and the number of donors involved in some type of program support. Our participation in the G-19 gives us an inside view of how well this all works or doesn't work that can be valuable as we consider increased use of modalities that work with or through government systems.

-- Improved coordination: Our participation in the G-19 and access to all of their documentation significantly increases our knowledge of what other donors are doing in both their program and project assistance. As we have expanded our staff and filled vacant positions we are increasingly able to participate actively in sector working groups where information about specific activities and programs are shared and coordinated. This allows us to work more effectively to complement the work of other donors, avoid duplication, and learn from their experience.

-- Influence on key policy issues: USG participation in the G-19 through the COM and USAID Director has allowed us to engage our donor counterparts directly on issues we believe should be at the top of the policy agenda of the donor group.

For example, our insistence of the importance of reforms to improve the business environment led to inclusion of key reforms in summary of the Joint Review and subsequent political dialogue meeting with the GRM. Active USG engagement on democracy issues led the G-19 to take a firmer stance on electoral issues during the recent elections, a political stance which some in the group found uncomfortable but which most believed was long overdue. Our participation in these fora has allowed us to be part of both formal and informal discussions about how to deal with the election irregularities and concerns over governance issues that have been recently the center of intensive debate within the G-19.

Though we do not provide budget support, which has been the focus of much debate locally, our thoughts and positions are solicited and have been influential. In an organization with disparate views that operates more or less by consensus, our voice and influence with individual members of the G-19 can help tip the balance.

SOME RESISTANCE TO KEY POLICY ISSUES IN THE G-19

110. (C) Efforts to develop a more inclusive donor group around a high-level meeting with the government as a means of putting key policy issues on the table early with the new government, have been ongoing since the elections. A first meeting was called in early December by the leadership group

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and was attended by various emerging donors outside the G-19 (including Brazil, South Africa, India, Egypt, Vietnam and Russia) as well as most G-19 members. Post sees this effort as an important process that, in line with Paris Declaration principles, aligns and harmonizes all donors, brings increased efficiency to donor-GRM relationships, and also offers a vehicle for donor coordination and discussion of policy issues that is not dependent on providing assistance through a particular modality that would offer USG participation on an equal footing with all other donors (i.e. leadership of the group would not be restricted to budget

donors). However, this first meeting served to surface continued resistance from some key G-19 members, some of whom feel that this additional high-level dialogue (currently contemplated with the President or Prime Minister) would undermine the G-19's dialogue efforts currently carried out primarily with the Minister of Planning and Development or Minister of Finance. Post will continue to push for development of this new aid architecture.

¶11. (C) EU members of the G-19 are also concerned about a bureaucratic battle between the member nations and the EU Commission's Mission in Mozambique. Under the leadership of EU Representative Glauco Calzuola, the EU Commission has used the Lisbon Treaty to frustrate and obstruct previously vocal European country missions wishing to engage the GRM more fully on democracy and governance concerns. Many individual EU country missions are concerned that Calzuola has used the Lisbon treaty to take control of the political dialogue, while at the same time disconnecting that dialogue from assistance-related dialogues which continue to be managed by individual member-states. Calzuola has also disbanded governance-related working groups, among them, the human rights working group, in favor of more emphasis on trade. Representatives of EU member nations raise private concerns that Calzuola may have little will to engage the GRM on democracy and governance issues.

COMMENT: WILL G-19 PRESSURE RESULT IN A D&G CHANGE?

¶12. (C) In the aftermath of an election process that appears to have been manipulated by the ruling party, on top of ongoing governance concerns, the G-19 has struggled with the implications for budget support and the resulting increased negative attention from capitals. They agreed to send a letter to the GRM indicating that they believe such a breach of the underlying principles may have occurred to initiate a dialogue to discuss these issues - which has caught the attention of top GRM officials. Some donors are concerned that reductions in budget support will undermine the use of this modality and will be used by those in their capitals and legislatures who question it to further argue against it; small donors, in particular, say if their budget support levels are cut for political reasons, they will not be able to get it restored in the future. Others, particularly the larger budget support donors, argue that this is a test of the utility and impact of budget support and its ability to leverage change. The Dutch Ambassador recently questioned whether or not the GRM even took the donors seriously at all, and if not, then the argument for donor support is lost.

¶13. (C) The G-19, using direct budget support as a unifying theme, had been permitted over time to dominate the process of donor coordination in Mozambique and corner the market for multilateral political dialogue. This EU-centric group relished its exclusive position but ultimately understood the benefits of expanding membership to include the United States, even if we did not provide direct budget support. While USG participation in G-19 meetings and various working groups is staff intensive and time consuming, there has been real payoff in increased influence on the agenda and positions taken by the G-19 in their political dialogue with the GRM and subsequent actions taken. As the USG looks carefully at the delivery of foreign assistance through the QDDR and PSD-7 discussion, and responds to a push for more use of government systems, the efforts made to implement the Paris Declaration in Mozambique (and the limitations and challenges that have become apparent) will be useful experiences to evaluate and assess. In addition, a more systematic approach to donor coordination mechanisms with our allies in recipient nations would be helpful, as too often the local personalities, rather than government policy directives, seemed to dictate positions taken by resident ambassadors on the form donor coordination mechanisms should be established.

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